

Los Cerritos Wetlands Authority

900 S. Fremont Avenue

Annex, 2nd Floor

Alhambra, CA 91802

Board Meeting Materials

May 25, 2006

Board Members

Frank Colonna, City of Long Beach

John Larson, City of Seal Beach

Sam Schuchat, State Coastal Conservancy

Larry B. McKenney, Rivers and Mountains Conservancy

NOTICE OF PUBLIC MEETING

The public meeting of the
Los Cerritos Wetlands Authority (LCWA)
will be held on

Thursday, May 25, 2006 at 11:00 a.m.

at the following location:

Third District Field Office, City of Long Beach
340 Nieto Ave.

Long Beach, CA 90814

AGENDA

1. Administration of oath of office to Governing Board members
2. Election of Officers
3. Public Comment

Individuals wishing to comment must fill out a comment card at the meeting for the official record and will be allowed three minutes to speak, and representatives of organizations/agencies will be allowed five minutes to speak. Speaker time may be reduced depending on the number of speakers

4. Staff Reports

- A. Consideration for possible approval of a of resolution authorizing the LCWA to enter into an agreement of land transfer to the LCWA from the Trust for Public Land of for acquisition of approximately 68 acres of property (portions of Los Angeles County Assessor Parcel Numbers 7237-020-006 and 7237-020-007) commonly known as the "Bryant Property", in Long Beach and authorization for the LCWA to enter into such other agreements as may be necessary to take title to the Bryant Property, including, but not limited to, a land use agreement; and a termination of oil and gas lease and grant of easements and an environmental indemnity agreement. This action shall include the following:

CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Property: APN 7237-020-006 and 7237-020-007

Agency Negotiator: Belinda V. Faustinos, Mary Small

Negotiating Parties: Trust for Public Land, Signal Hill Petroleum

Under Negotiation: Price and terms

[This item may be heard in closed session pursuant to Government Code Section 54956.8 and 54957.1)

- B. Consideration of resolution authorizing the Executive Officer to purchase a general liability policy for the LCWA and such property insurance as may be necessary for the LCWA to hold title to the Bryant Property.

5. Oral Communications

- A. Statements, responses, questions or directions to staff pursuant to Section 54954.2(a) of the Government Code

- B. Future agenda items

6. Establish regular meeting time and place, and announcement of next meeting
7. Adjournment upon completion of business

Public participation is welcome on any agenda item. Members of the public wishing to address the Governing Body on any item should address the President of the Authority in advance of the meeting. Questions about the agenda items should be addressed to Valorie Shatynski at (626) 458-7174.

Note: In accordance with the Americans with Disabilities Act of 1990, if you require a disability-related modification or accommodation to attend or participate in the meeting, including auxiliary aids or services, please contact Valorie Shatynski at 458-7174 at least 3 days prior to the meeting.

Los Cerritos Wetlands Authority

April 7, 2006

To: Governing Board Members

From: Mary Small, State Coastal Conservancy

Subject: Agenda Item 4.A. Bryant Property

Recommended Action

Staff is recommending approval of a resolution authorizing the Los Cerritos Wetlands Authority (LCWA) to enter into an agreement of land transfer with the Trust for Public Land for approximately 68 acres of property (portions of Los Angeles County Assessor Parcel Numbers 7237-020-006 and 7237-020-007) commonly known as the "Bryant Property", in Long Beach. Staff further recommends authorization for the LCWA to enter into such other agreements as may be necessary to take title to the Bryant Property, including, but not limited to: a land use agreement, a termination of oil and gas lease and grant of easement agreement, and an environmental indemnity agreement.

Project Description

At its April 7, 2006 meeting the LCWA was given an informational update on the effort to acquire the Bryant property and the proposed approach to that acquisition. Staff has continued working on this project and is recommending that the LCWA authorize this acquisition and enter into the agreements necessary to complete the transaction.

The proposed acquisition is a collaborative project between the Trust for Public Lands (TPL), the Los Cerritos Wetlands Authority (LCWA) and Signal Hill Petroleum (SHP). TPL has negotiated a purchase agreement with the current owner of the property (the Seller). TPL proposes to effect the transfer of the surface rights, to a depth of 500 feet, to the LCWA and the mineral rights to SHP. SHP will indemnify LCWA, and TPL for environmental liabilities associated with the oil and gas operation and will agree to pay for the remediation of existing oil related contamination on the property. LCWA will grant specific easements to SHP to allow SHP to continue its oil operation.

As shown on Exhibit 1, the Bryant Property includes approximately 87 acres on both sides of the San Gabriel River. The proposed acquisition will include approximately 68 acres, 42 acres of land and approximately 26 acres under the river (subject to a Los Angeles County Flood Control District (LACFCD) easement). LCWA will acquire surface rights to property on both sides of the river, as shown in Exhibit 1. The acquisition area represents approximately two thirds of the land owned by the Seller, plus most of the acreage subject to the LACFCD easement. As part of the transaction, the Seller will grant access licenses and easements across the retained parcel to the property that the LCWA will acquire. The proposed acquisition area includes all of the twelve oil wells on the Bryant Property and, as

discussed below, LCWA will grant easements to SHP for the continued operation of the wells. Although no restoration plan has been completed, a preliminary study found that the ongoing operation of these wells is compatible with the LCWA's long-term goals of public access, wetland and habitat restoration.

The value of the 68 acres of surface property is \$11 million, as established by an August 2004 appraisal that has been reviewed and approved by the Coastal Conservancy. TPL is providing \$7 million to the Seller and the Seller is contributing \$4 million in donated land value. The funds that TPL is providing come from the Coastal Conservancy and were granted to TPL specifically for purchase of property in the Los Cerritos wetlands complex. SHP is paying \$3 million to the Seller for the mineral rights to the property and will also pay LCWA \$25,000 per year rent for the use of easements. SHP will be obligated to complete and pay for any required remediation of the property related to oil and gas operations and will indemnify LCWA, TPL and the Coastal Conservancy against liability associated with the oil and gas operation.

Site Description

The 87-acre Bryant Property is part of the Los Cerritos wetlands complex located along the lower reach of the San Gabriel River, where the river mouth historically migrated back and forth across the coastal plain. Prior to channelization of the river, the Los Cerritos wetlands complex included freshwater and brackish wetlands in its inland areas and salt marsh closer to the ocean. The size and configuration of the wetlands were subject to occasional major changes when the river channel migrated during flood events. An aerial photo taken in 1927 shows the wetlands covering approximately 1,500 acres. Today, approximately 400 acres of degraded wetland and surrounding open space remain. The majority of the remaining wetlands complex falls on three privately-owned properties referred to as the Bixby, Bryant and Hellman properties.

The Bryant property has been an active oil field for several decades and currently contains twelve active oil wells and associated pipelines, roads, and buildings. Surrounding land uses include oil production in several locations, a power plant to the north, and a mix of commercial, residential and industrial uses to the south and east. The historic wetlands on the property have been filled and degraded, primarily due to the oil production activities. Approximately 3 acres of wetlands remain on the easterly parcel, and 9 acres on the westerly parcel. Although the Los Cerritos Wetlands are surrounded by urban development and have been dramatically altered, they provide valuable habitat to a number of species. Eighty-nine bird species have been recorded using the area, including forty-eight water-associated bird species. Salt marsh fish species can be found in the tidally-influenced, channelized drainages. Special status species occurring in the Los Cerritos Wetlands include Belding's Savannah sparrow, California least tern, Loggerhead shrike, Western snowy plover, California gull, Cooper's hawk, Elegant tern, Long-billed curlew, Northern harrier, Osprey, Southern California rufous-crowned sparrow, and Yellow warbler.

The historic and existing wetlands in the Los Cerritos complex have been sought by public agencies and environmentalists for habitat protection and restoration for over twenty years. The Board of Governors of the Southern California Wetland Recovery Project has identified

acquisition of these properties as a top priority. This site is one of the few remaining opportunities in southern California for restoration of estuarine habitat.

Agreements

The transaction involves a number of legal agreements. Staff is recommending that the LCWA approve entering into these agreements. The main purpose and terms of each agreement that involves LCWA is described below:

Land Transfer Agreement

The Land Transfer Agreement will be an agreement between TPL and the LCWA. Under the terms of this agreement, TPL will cause the conveyance of surface fee interest in the 68 acres to the LCWA. LCWA will not acquire the mineral rights or the lessor's interest in the oil and gas lease. LCWA will accept title to the surface fee interest property as-is, subject to the Land Use Agreement and the Indemnification Agreement discussed below. Counsel has reviewed the option agreement from the Sellers to TPL which contains representations and warranties that will pass through to the LCWA as TPL's successor. The Land Transfer Agreement is contingent upon a number of things, including: execution of the other transaction agreements, approval of the respective boards, and completion of a survey and legal description of the exact property interest to be acquired.

Land Use Agreement

The Land Use Agreement will be an agreement between the Sellers, TPL, LCWA and SHP which acknowledges the intended use of the conveyed property and the retained property by SHP and LCWA. The purpose of the agreement is to ensure that the Seller's intended use of their retained property and the LCWA's intended use of its property do not impact each other and to ensure both temporary and permanent access to the conveyed property for both LCWA and SHP.

In its restoration and enhancement of the site, the LCWA will agree not to create new wetlands within 100 feet of the boundary with the Sellers retained property. The Sellers are concerned that if LCWA's wetland restoration results in the creation of new wetlands at the property line, then the Sellers would be obliged to provide 100 foot buffers (typical regulatory requirement) between the created wetland and any commercial use of their property. The Sellers agree not to use their retained property in a manner that impairs the use of the LCWA property for restored or created wetlands. The types of uses that would be restricted under this agreement include (but are not limited to) lighting, landscaping and drainage.

At the close of escrow, the Sellers will provide SHP and LWCA with a license to use the existing access across the Bixby property to get to the purchased property. It is anticipated that this access will be provided with some restrictions and will last until the temporary access is completed. The Sellers will also grant a nonexclusive license for a temporary access from Second Street across the retained property to the conveyed. This access will require permitting prior to construction and it is anticipated that this process may take up to two years. . The cost of the construction shall be split evenly between the Seller, SHP and the LCWA. SHP will have access for operation and maintenance of the oil wells and LCWA

will have vehicular access (including trucks and earthmoving equipment) and pedestrian access (including access for the general public). The license will be in effect until a permanent access is developed by the Sellers at which time an access easement across the permanent access way will be granted to LCWA and SHP. Costs for the construction and maintenance of the permanent access way shall be paid by the Sellers.

Termination of Oil and Gas Lease and Grant of Easement Agreement

The Termination of Oil and Gas Lease and Grant of Easement Agreement will be an agreement between TPL, LCWA and SHP. The purpose of this agreement is to define the specific access over and use of the surface property that LCWA will grant to SHP to allow for the existing and future oil operations. This agreement also defines conditions for the oil operations to ensure that they are consistent with LCWA's intended use of the property for habitat restoration and public access.

Through this agreement, SHP will terminate the existing oil and gas lease. LCWA will grant specific easements to SHP for the oil operations. These easements will include exclusive use easements for the area immediately surrounding the wells, joint use easements for areas for equipment and installations related to operation of the oil operation, non-exclusive pipeline and utility easements, and non-exclusive access agreements. SHP will indemnify LCWA for liability associated with oil operations and will carry commercial general liability insurance that names LCWA as an additional insured. The easements shall expire when all oil operations are abandoned. SHP shall pay rent of \$25,000 per year to LCWA for the use of these easements.

SHP will agree to modify the joint use or non-exclusive easements in coordination with LCWA's restoration plan for the property. SHP will agree, at its cost, to abandon wells, demolish buildings and remove pipelines. SHP will also agree, at its cost, to remediate environmental contamination on the property which will be required to allow for the implementation of LCWA's restoration plan. LCWA and SHP will agree to reasonably coordinate earth moving operations required for restoration and remediation.

Environmental Indemnity Agreement

The Environmental Indemnity Agreement will be an agreement between SHP, LCWA, TPL and the State Coastal Conservancy. Under the terms of this agreement, SHP will indemnify the other parties from liabilities associated with any release of materials generated from the oil or gas operations beyond the levels accepted for industrial use. This indemnification will only include liabilities associated with past and future environmental releases associated with oil and gas operations but not for liability for contamination that is unrelated to those activities.

The Bryant Property has been leased for oil and natural gas extraction since 1953 and the current lessee is Chevron-Texaco. SHP is negotiating disposition of Chevron's environmental liability for past oil operations in a separate agreement. SHP will establish a trust fund that will be used to pay for future remediation.

More than a dozen environmental studies have been completed on the property. The Coastal Conservancy hired Anchor Environmental to review the existing studies. A memo summarizing their review is attached as Exhibit 2. Most of the studies focused on the oil related contamination and were paid for by Chevron. Soil sampling was focused on areas with former sumps. The contaminants that were identified are associated with existing and historic oil and gas operations, include: metals, lead, arsenic, vanadium, barium, chromium, BTEX (benzene, toluene, ethylbenzene, and xylene a group of volatile organic compounds (VOCs) found in petroleum hydrocarbons), polyaromatic hydrocarbons (PAH), and total petroleum hydrocarbons (TPH).

There is the possibility that there is some undetected non-oil related contamination, but there is no clear evidence of any such contamination. In a wetland report prepared in 2000, Huffman and Associates state that an aerial photo from 1921 shows evidence of fill placed on the site. This raised concerns that the property may have high levels of DDT or other contaminants if dredge spoils from the San Gabriel River had been placed on the site. The boring and trenching logs from Chevron investigations generally characterize the surface and subsurface soils at the site as sands with some silts, which suggest that the Bryant soils are alluvial rather than dredge spoils. In addition, if dredge spoils were placed on the property prior to 1921, neither DDT nor PCBs had been invented at that time. However, arsenic-based pesticides were in common use; therefore dredge soils from 1921 might be expected to have elevated levels of arsenic. There are no other indications of non-oil related contamination on the property.



May 25, 2006, Agenda Item 4.A.

RESOLUTION 2006 -

RESOLUTION OF THE LOS CERRITOS WETLANDS AUTHORITY (LCWA)
AUTHORIZING THE EXECUTION OF A LAND TRANSFER AGREEMENT
WITH THE TRUST FOR PUBLIC LAND FOR APPROXIMATELY 68 ACRES OF THE
"BRYANT" PROPERTY, LONG BEACH AND SUCH OTHER AGREEMENTS
AS MAY BE NECESSARY

WHEREAS, the Los Cerritos Wetlands Authority (Authority) has been established between the Coastal Conservancy, the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy, the City of Seal Beach and the City of Long Beach to facilitate the acquisition, protection, conservation, restoration, maintenance and operation an environmental enhancement of the Los Cerritos Wetlands; and

WHEREAS, the Bryant property (APN 7237-020-006 and 7237-020-007) is a critical acquisition project for the environmental enhancement and restoration of the Los Cerritos Wetlands ecosystem; and

WHEREAS, this action is exempt from the environmental impact report requirements of the California Environmental Quality Act (CEQA); NOW

Therefore be it resolved, that the LCWA hereby:

1. FINDS that this action is consistent with the purposes and objectives of the LCWA.
2. FINDS that the actions contemplated by this resolution are exempt from the environmental impact report requirements of the California Environmental Quality Act.
3. AUTHORIZES such budget amendments as may be necessary to implement this action.
4. AUTHORIZES the Executive Officer to execute the land transfer agreement, land use agreement, termination of oil and gas lease and grant of easement agreement, an environmental indemnity agreement and such other documents as may be necessary to take title to the Bryant property (APNs 7237-020-006 and 7237-020-007).

~ End of Resolution ~

Passed and Adopted by the Board of the LOS CERRITOS WETLANDS AUTHORITY on
May 25, 2006.

Chair

Attest:

Terry Fujimoto, Deputy Attorney General

Exhibit 1
Acquisition Area

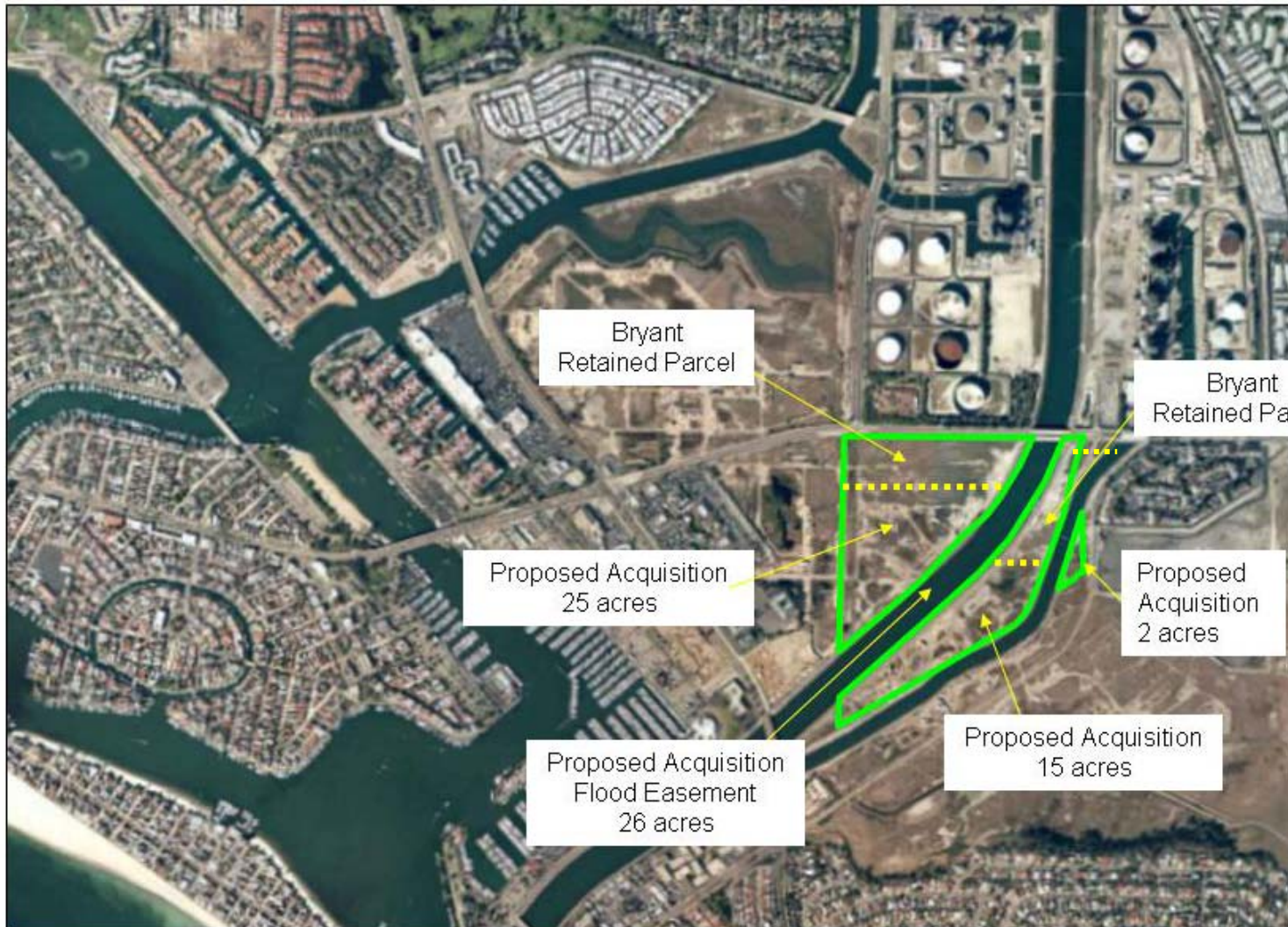


EXHIBIT 2

To be distributed under separate cover

Los Cerritos Wetlands Authority

May 25, 2006

To: Governing Board Members

From: Belinda V. Faustinos, Executive Officer

Subject: Agenda Item 4.B.: Purchase of General Liability and Bryant Property Insurance

Recommended Action: Approval of the attached resolution authorizing purchase of both a general liability policy for the LCWA and such property insurance as may be necessary for the LCWA to hold title to the Bryant property.

Background: Based on similar needs for other Joint Powers Authorities it is expected that a general liability policy for the LCWA will be an expense of approximately \$3,000-\$5,000. The cost for property insurance can range from \$10,000-\$15,000. It will be necessary to purchase these policies in an expedited manner so that they are in place at the time of transfer of title to the Bryant property.

Also given prior experience there is a limited number of companies that provide this type of insurance for public agencies therefore, staff proposes to use a local broker, Henderson's Insurance, Whittier with experience in this field whose fees are less than \$500 annually for similar policies.

These policies will only be purchased if the Bryant property is transferred and will be paid from the lease fees paid by Signal Hill Petroleum.

May 25, 2006, Agenda Item 4.B.

RESOLUTION 2006

RESOLUTION OF THE LOS CERRITOS WETLANDS AUTHORITY (LCWA)
AUTHORIZING THE EXECUTIVE OFFICER TO PURCHASE A
GENERAL LIABILITY POLICY FOR THE LCWA AND SUCH PROPERTY
INSURANCE AS MAY BE NECESSARY FOR THE LCWA TO HOLD
TITLE TO THE BRYANT PROPERTY

WHEREAS, the Los Cerritos Wetlands Authority (Authority) has been established between the Coastal Conservancy, the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy, the City of Seal Beach and the City of Long Beach to facilitate the acquisition, protection, conservation, restoration, maintenance and operation an environmental enhancement of the Los Cerritos Wetlands; and

WHEREAS, it is necessary for the LCWA to purchase general liability insurance for general workprogram purposes and property insurance for the Bryant acquisition as may be necessary; and

WHEREAS, this action is exempt from the environmental impact report requirements of the California Environmental Quality Act (CEQA); NOW

Therefore be it resolved, that the LCWA hereby:

5. FINDS that this action is consistent with the purposes and objectives of the LCWA.
6. FINDS that the actions contemplated by this resolution are exempt from the environmental impact report requirements of the California Environmental Quality Act.
7. AUTHORIZES such budget amendments as may be necessary to implement this action.
8. AUTHORIZES the Executive Officer to purchase liability and property insurance in an amount not to exceed \$20,000 for the LCWA and Bryant property.

~ End of Resolution ~

Passed and Adopted by the Board of the LOS CERRITOS WETLANDS AUTHORITY on
May 25, 2006.

Chair

Attest:

Terry Fujimoto, Deputy Attorney General